

**St. Helena Parish Hospital
Service District No. 1 and Subsidiary
A Component Unit of the
St. Helena Parish Police Jury
Greensburg, Louisiana
October 31, 2014**

Table of Contents

Management's Discussion and Analysis	Page	3
Independent Auditor's Report	Page	8
General Purpose Financial Statements		
Consolidated Statements of Net Position	Page	10
Consolidated Statements of Revenues, Expenses, and Changes in Net Position	Page	11
Consolidated Statements of Cash Flows	Page	12
Notes to Consolidated Financial Statements	Page	14
Supplementary Information		
Net Patient Service Revenue	Page	29
Consolidated Operating Expenses	Page	30
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	Page	31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page	32
Schedule of Current Year Findings	Page	34
Schedule of Prior Year Findings	Page	35

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2014

This portion of St. Helena Parish Hospital Service District No. 1 and Subsidiary's ("the District") annual financial reporting presents background information and management's review of the District's financial performance during the fiscal year ended October 31, 2014. This Section should be interpreted within the context of the consolidated financial statements as displayed in this report.

FINANCIAL HIGHLIGHTS

- The financial statements reveal an excess of revenue over expenditures of \$1,124,299. If depreciation expense was not included, then an excess of \$1,803,912 would have occurred.
- During the summer of 2013, the voters of St. Helena Parish approved a 10 mill property tax to fund the needs of the nursing home. The nursing home tax and hospital tax combined to generate \$1,125,915 and \$934,873 in revenue for 2014 and 2013, respectively, which is included in other operating revenue.
- The District recognized \$1,541,703 in revenues from the state's Uncompensated Care Costs (UCC) reimbursement program and the Upper Payment Limit (UPL) grant program in 2014. This compares to \$1,589,826 in 2013.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the District report information regarding the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Consolidated Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past year, and can be used to determine whether the District has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Consolidated Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash flows from operations and financial activities, as well as define the sources of cash, its uses, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation, and information.

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT

The Consolidated Statements of Net Position and Consolidated Statements of Revenue, Expenses, and Changes in Net Position report data about the District's activities. These two (2) statements report the net position of the District and the change in net position. Increases or decreases in net position are one indicator regarding the financial integrity of the District. Other non-financial indicators include changes in state and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2014

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT (CONTINUED)

Net Position

Summaries of the District's Consolidated Statements of Net Position as of October 31, 2014, 2013, and 2012 are displayed in the following table:

Condensed Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,420,092	\$ 5,395,770	\$ 4,983,685
Assets limited as to use	387,473	278,293	179,188
Property, plant and equipment	<u>6,219,874</u>	<u>6,506,375</u>	<u>5,374,705</u>
 Total assets	 <u>\$ 12,027,439</u>	 <u>\$ 12,180,438</u>	 <u>\$ 10,537,578</u>
 Current liabilities	 \$ 1,507,061	 \$ 2,429,513	 \$ 4,279,413
Long-term debt	<u>4,125,755</u>	<u>4,480,601</u>	<u>4,223,561</u>
 Total liabilities	 5,632,816	 6,910,114	 8,502,974
 Total net position	 <u>6,394,623</u>	 <u>5,270,324</u>	 <u>2,034,604</u>
 Total liabilities and net position	 <u>\$ 12,027,439</u>	 <u>\$ 12,180,438</u>	 <u>\$ 10,537,578</u>

The following table presents the components of the District's net position at October 31, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net investment in capital assets	\$ 2,896,404	\$ 2,966,022	\$ 2,785,316
Unrestricted (deficit)	<u>3,498,219</u>	<u>2,304,302</u>	<u>(750,712)</u>
 Total net position	 <u>\$ 6,394,623</u>	 <u>\$ 5,270,324</u>	 <u>\$ 2,034,604</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2014

Property, Plant and Equipment

The following table presents the components of property, plant and equipment at October 31, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 413,705	\$ 413,705	\$ 358,805
Building	8,347,509	8,324,223	8,101,109
Equipment	2,981,886	2,612,060	1,655,579
Vehicles	164,366	164,366	164,366
Equipment under capital leases	<u>269,024</u>	<u>269,024</u>	<u>—</u>
	12,176,490	11,783,378	10,279,859
Less: accumulated depreciation	<u>5,956,616</u>	<u>5,277,003</u>	<u>4,905,154</u>
Property, plant and equipment, net	<u>\$ 6,219,874</u>	<u>\$ 6,506,375</u>	<u>\$ 5,374,705</u>

Summary of Revenue, Expenses, and Changes in Net Position

The following table presents a summary of the District's revenues and expenses for the latest three (3) fiscal years:

Condensed Statements of Revenue, Expenses and Changes in Net Position			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net patient service revenue	\$11,884,349	\$11,825,860	\$10,581,056
Provision for bad debts	(1,621,265)	(1,708,353)	(1,252,557)
Other revenue	2,783,950	4,619,286	2,602,009
Apartment revenue	<u>230,575</u>	<u>253,790</u>	<u>302,422</u>
Total revenue	<u>13,277,609</u>	<u>14,990,583</u>	<u>12,232,930</u>
Salary expense	6,192,605	5,901,725	5,816,346
Other operating expense	4,945,328	4,851,066	4,778,562
Depreciation and amortization	679,613	565,839	419,429
Apartment expense	<u>168,609</u>	<u>162,932</u>	<u>215,796</u>
Total expenses	<u>11,986,155</u>	<u>11,481,562</u>	<u>11,230,133</u>
Non-operating revenue (expense)	<u>(167,155)</u>	<u>(273,301)</u>	<u>(250,795)</u>
Change in net position	1,124,299	3,235,720	752,002
Net position, beginning of year	<u>5,270,324</u>	<u>2,034,604</u>	<u>1,282,602</u>
Net position, at conclusion of fiscal year	<u>\$ 6,394,623</u>	<u>\$ 5,270,324</u>	<u>\$ 2,034,604</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2014

SOURCES OF REVENUE

The District derives the majority of its total revenue from patient service operations. St. Helena Parish Hospital is a Critical Access Hospital and, as such, has been reimbursed for Medicare services on a cost basis since 2000.

The following table displays payor mix percentages as a function of total billed charges during 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	40%	42%	54%
Medicaid	11%	19%	10%
Commercial	37%	27%	32%
Self-Pay	<u>12%</u>	<u>12%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The District derives additional revenues from ad valorem taxes, grants, donations, and meals sold in the cafeteria.

OPERATING AND FINANCIAL PERFORMANCE

The District's primary source of revenue is derived from patient services and is driven by admissions, which involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days and days in accounts receivable from 2014, 2013, and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Inpatient Days	2,064	2,007	1,967
Outstanding Days in A/R	66	62	55

A three percent (3%) increase in inpatient days occurred from FYE 2013 to 2014. The District's statistical measure of days in accounts receivable is 66 days, which is slightly above the industry expectation of 65 days outstanding. The District does make aggressive attempts to procure payment from self-pay patients, but these receivables must stay on the books for a statutory amount of time to make a claim for uncompensated care reimbursement.

BUDGET AND STRATEGY FOR FISCAL YEAR 2015

The 2015 budget was approved by the Board of Commissioners during its regular meeting in October 2014. Highlights and expectations regarding 2015 are as follows:

Concerning Revenue and Patient Utilization, the hospital expects an inpatient census of 5.5, which is consistent with 2014. The ancillary departments of the hospital are budgeted for the same or modest utilization increases. Areas for outpatient growth opportunity include Observation, Therapy and Lab. Property taxes for 2015 are budgeted for \$951,000 which includes a 7 mill property tax renewal estimated at \$300,000 which was passed in a special election held in 2014.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2014**

BUDGET AND STRATEGY FOR FISCAL YEAR 2015 (Continued)

The Hospital Service District included in its budget, which was approved by the Board of Commissioners, a 2% pay raise for full-time employees, which has an estimated annual cost of \$98,000. The budgeted Employer Contribution for the Retirement plan is 3%. Payments due on long-term debt in 2015 are approximately \$120,000 (principal and interest).

The Hospital Service District has a USDA Revenue bond in the amount of \$1,184,000 to fund the implementation of Electronic Health Records. The third of five payments of \$262,245 (principal and interest) is due on July 26, 2015. A Medicaid Incentive pertaining to implementation of Electronic Health Records of \$117,136 is expected to be received in 2015. The Hospital Service District completed its 90 days attestation for Medicare Meaningful Use Stage 1 Year 2 to qualify for Medicare reimbursement.

The Hospital Service District purchased a building located on First Street in Greensburg, LA to relocate the Hospital's Business Office operations and open a Rehab and Wellness Center. Grand Opening for the Rehab and Wellness Center was held in June 2014. Plans are also in the works to open a clinic to expand Woman's Health Services. The District expanded its Cardiology services and is conducting an analysis of adding a sleep study center.

CONTACTING THE DISTRICT'S CHIEF FINANCIAL OFFICER

This financial report is intended to provide the community, patients, and creditors with a general overview of the District's financial position, and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer
St. Helena Parish Hospital & Nursing Home
16874 Highway 43 North
Greensburg, LA 70441

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Helena Parish Hospital Service District No. 1 (a Component Unit of the St. Helena Parish Police Jury) and Subsidiary, which comprise the consolidated statements of net position as of October 31, 2014 and 2013, and the related consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Helena Parish Hospital Service District No. 1 and Subsidiary as of October 31, 2014 and 2013, and their respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 3 through 7 be presented to supplement the consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of net patient service revenue, consolidated operating expenses, and schedule of compensation, benefits and other payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2015 on our consideration of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting and compliance.



April 7, 2015

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Net Position
October 31, 2014 and 2013

A s s e t s	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 1,574,249	\$ 2,241,455
Patient accounts receivable (net of estimated uncollectibles of \$1,344,954 for 2014 and \$1,320,774 for 2013)	1,228,338	1,098,787
Accounts receivable - other	1,345,813	1,482,500
Estimated third-party payor settlements	821,738	140,585
Inventory	361,993	348,823
Prepaid expenses	87,961	83,620
Total current assets	<u>5,420,092</u>	<u>5,395,770</u>
Assets Limited As to Use	387,473	278,293
Property, Plant and Equipment, Net	<u>6,219,874</u>	<u>6,506,375</u>
Total assets	<u>\$12,027,439</u>	<u>\$12,180,438</u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of notes and other long-term payables	\$ 101,906	\$ 417,495
Current maturities of bonds payable	297,924	309,290
Current portion of obligations under capital leases	51,138	47,929
Accounts payable	461,518	509,697
Estimated third-party payor settlements	107,753	463,220
Accrued liabilities	486,822	681,882
Total current liabilities	<u>1,507,061</u>	<u>2,429,513</u>
Long-Term Debt		
Notes and other long-term payables, less current maturities	909,611	1,012,385
Bonds payable, less current maturities	3,066,285	3,267,218
Capital lease obligations, less current maturities	149,859	200,998
Total long-term debt	<u>4,125,755</u>	<u>4,480,601</u>
Total liabilities	<u>5,632,816</u>	<u>6,910,114</u>
Net Position		
Net investment in capital assets	2,896,404	2,966,022
Unrestricted	3,498,219	2,304,302
Total net position	<u>6,394,623</u>	<u>5,270,324</u>
Total liabilities and net position	<u>\$12,027,439</u>	<u>\$12,180,438</u>

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Revenues, Expenses,
and Changes in Net Position
Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenue		
Net patient service revenue		
(net of contractual adjustments and discounts)	\$11,884,349	\$11,825,860
Provision for bad debts	<u>1,621,265</u>	<u>1,708,353</u>
Net patient service revenue, less provision for bad debts	10,263,084	10,117,507
Other operating revenue	2,783,950	4,619,286
Apartment revenue	<u>230,575</u>	<u>253,790</u>
Total operating revenue	<u>13,277,609</u>	<u>14,990,583</u>
 Operating Expenses		
Salaries	6,192,605	5,901,725
Outside services	1,642,410	1,314,225
Supplies and other	1,467,577	1,430,225
General and administrative	1,835,341	2,106,616
Depreciation and amortization	679,613	565,839
Apartment expense	<u>168,609</u>	<u>162,932</u>
Total operating expenses	<u>11,986,155</u>	<u>11,481,562</u>
 Operating income	<u>1,291,454</u>	<u>3,509,021</u>
 Non-Operating Revenue (Expense)		
Interest income	1,990	2,761
Interest expense	<u>(169,145)</u>	<u>(276,062)</u>
Total non-operating revenue (expense)	<u>(167,155)</u>	<u>(273,301)</u>
 Change in Net Position	1,124,299	3,235,720
 Net Position		
Beginning of year	<u>5,270,324</u>	<u>2,034,604</u>
 End of year	<u>\$ 6,394,623</u>	<u>\$ 5,270,324</u>

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Cash Flows
Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from patients and third-party payors	\$12,248,125	\$12,875,310
Payments to employees and for employee-related costs	(6,424,996)	(5,857,337)
Payments to suppliers for goods and services	<u>(5,136,946)</u>	<u>(5,139,489)</u>
Net cash provided by operating activities	<u>686,183</u>	<u>1,878,484</u>
Cash Flows From Non-Capital Financing Activities		
Payments on certificate of indebtedness	—	(494,000)
Interest paid on certificate of indebtedness	<u>—</u>	<u>(29,881)</u>
Net cash used in non-capital financing activities	<u>—</u>	<u>(523,881)</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from bonds payable	127,700	952,864
Principal payments on notes payable	(418,364)	(566,816)
Principal payments on bonds payable	(339,999)	(311,739)
Principal payments on capital leases	(47,930)	(20,097)
Interest paid on long-term debt	<u>(174,494)</u>	<u>(248,414)</u>
Net cash used in capital and related financing activities	<u>(853,087)</u>	<u>(194,202)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(393,112)	(1,433,577)
Change in assets limited as to use	(109,180)	(99,105)
Interest income	<u>1,990</u>	<u>2,761</u>
Net cash used in investing activities	<u>(500,302)</u>	<u>(1,529,921)</u>
Net Decrease in Cash and Cash Equivalents	<u>(667,206)</u>	<u>(369,520)</u>
Cash and Cash Equivalents, beginning of year	<u>2,241,455</u>	<u>2,610,975</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,574,249</u>	<u>\$ 2,241,455</u>

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Cash Flows
Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 1,291,454	\$ 3,509,021
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	679,613	565,839
Loss on disposal of fixed assets	—	5,091
Provision for bad debts	1,621,265	1,708,353
(Increase) Decrease in assets:		
Accounts receivable	(1,750,816)	(2,412,696)
Accounts receivable other	136,687	—
Estimated third-party payor settlements	(681,153)	(24,534)
Inventory	(13,170)	(59,601)
Prepaid expenses	(4,341)	6,874
Increase (Decrease) in liabilities:		
Accounts payable	(48,179)	(91,255)
Estimated third-party payor settlements	(355,467)	(51,965)
Accrued liabilities	(189,710)	62,879
Deferred revenue	—	(1,339,522)
Net cash provided by operating activities	<u>\$ 686,183</u>	<u>\$ 1,878,484</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 152,364</u>	<u>\$ 278,295</u>
 Supplemental Schedule of Non-cash Financing Activities		
Financing of equipment under a capital lease	<u>\$ —</u>	<u>\$ 269,024</u>

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies

A. Legal Organization

On December 29, 1962, St. Helena Parish Police Jury passed a resolution creating St. Helena Parish Hospital Service District No. 1 and Subsidiary (the District) under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual out-of-pocket expenses incurred in the performance of their duties.

B. Nature of Business

The District primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients in the St. Helena Parish area. The District also operates a 72-bed nursing home and a 24-unit apartment complex for the elderly and handicapped.

During 2004, the District created St. Helena Medical Foundation, Inc. as a legal entity to which charitable donations to the District are made on a tax deductible basis.

C. Principles of Consolidation

The financial statements are consolidated as of and for the years ended October 31, 2014 and 2013. These consolidated financial statements include St. Helena Parish Hospital Service District No. 1 and its subsidiary, St. Helena Medical Foundation, Inc. All intercompany accounts and transactions have been eliminated in consolidation. Operations in these consolidated financial statements are predominantly from St. Helena Parish Hospital Service District No. 1.

D. Basis of Accounting and Presentation

The District utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As a proprietary fund, the District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers related to patient services. Operating expenses for the District's proprietary fund include patient care expenses, general and administrative expenses, and depreciation of property, plant and equipment. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting and Presentation (Continued)

The District follows GASB standards for state and local governments which require that resources be classified for accounting and reporting purposes into the following three net position components:

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on net asset use by creditors, grantors, contributors or laws through constitutional provisions or enabling legislation.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations; however, these designations can be removed or modified.

E. Reporting Entity

As the governing authority of the parish, for reporting purposes, St. Helena Parish Police Jury is the financial reporting entity for St. Helena Parish. The financial reporting entity consists of (a) the primary government (Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, establishes criteria for determining which component units should be considered part of St. Helena Parish Police Jury for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit.
2. Financial accountability:
 - a. The primary government appoints a voting majority of the potential component unit's governing body (and) the primary government is able to impose its will on the potential component unit (or)
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.
3. Financial benefit/burden relationship between the Police Jury and the potential component unit.
4. Misleading to exclude: Paragraph 111 of Section 2100 covers other potential component units for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

E. Reporting Entity (Continued)

Because the police jury appoints all members to the District's Board of Commissioners, the District was determined to be a component unit of St. Helena Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only of the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that compromise the financial reporting entity.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the Consolidated Statements of Net Position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

G. Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

H. Patient Accounts Receivable

Accounts receivable from patients, insurance companies, and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements, which generally result in the District collecting more or less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities.

The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. Accounts are subsequently written off based on individual credit evaluation and specific circumstances of the account.

I. Inventory

Inventory is valued at the lower of cost or net realizable value (first-in, first-out). Inventory is comprised of departmental supplies and pharmaceutical items.

J. Assets Limited as to Use

Assets whose use is limited under terms of the bond indentures are classified as assets limited as to use as shown in Note 3.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

K. Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 - 40 years
Equipment	5 - 15 years
Vehicles	5 years

L. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

The District is a "Critical Access Hospital" (CAH), which allows it to receive cost based reimbursements from Medicare and Medicaid.

As a Critical Access Hospital, inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are reimbursed based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2011.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Inpatient costs are reimbursed at the prospectively determined peer group per diem, and outpatient costs are reimbursed at cost per the cost report, less 17%. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2011.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

L. Net Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. To the extent management's estimates differ from actual results, the differences will be recorded in the year such differences arise.

Rural hospitals can be reimbursed up to 100% for uncompensated care rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care Costs (UCC) payments. These payments are based upon estimated uncompensated care costs and are subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. Coverage for uncompensated care is based on the State's fiscal year.

M. Charity Care

The District provides care, without charge or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

N. Property Taxes

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 2014 property tax calendar follows:

Millage rates adopted	August 24, 2014
Tax bills mailed	November 11, 2014
Due date	December 31, 2014
Certified delinquent notice	March 12, 2015

The District records the expected revenues to be received based on factors such as previous years' collections of assessments and the estimated taxable assessed value for the current year. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, the sheriff is required by the constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

O. Paid Time Off

Paid time off (PTO) includes vacation and holiday pay. Unused PTO hours accumulate and carry over from year to year. Employees may accrue a maximum of 272 hours of PTO, including holidays. Full-time employees earn and vest in PTO according to length of service as follows.

<u>Length of Service</u>	<u>PTO Earned</u>
90 days - 2 years	1.08 days per month
3 - 5 years	1.50 days per month
6 - 15 years	1.92 days per month
Over 16 years	2.33 days per month

Sick pay is not vested.

P. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115.

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$10,359 and \$6,081 were expensed in 2014 and 2013, respectively.

R. Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits.

The District is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self-insurance of statutory workers' compensation. The District continues to carry commercial insurance for portions of all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$400,000 through the Patients Compensation Fund. Under current Louisiana Law, its liability is limited to the statutory maximum of \$500,000.

Note 2-Cash and Cash Equivalents

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with any bank domiciled or having a branch office in the State of Louisiana. The District had cash and cash equivalents and cash under indenture agreements (book balances) totaling \$1,961,722 and \$2,519,748 at October 31, 2014 and 2013, respectively.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 2-Cash and Cash Equivalents (Continued)

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At October 31, 2014, the District had \$2,076,868 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance and pledged securities.

At October 31, 2013, the District had \$2,697,580 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance and pledged securities.

In order to comply with bank agreements, the District deposits funds into reserve accounts on a monthly basis.

Note 3-Assets Limited as to Use

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 2014 and 2013, is set forth in the following table.

	<u>2014</u>	<u>2013</u>
Under Indenture Agreement		
Cash and cash equivalents	\$ <u>387,473</u>	\$ <u>278,293</u>

Note 4-Property, Plant and Equipment

A summary of property, plant and equipment additions, retirements, and balances at October 31, 2014 is as follows:

	Balance October 31, <u>2013</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2014</u>
Non-depreciable Capital Assets				
Land				
Hospital	\$ 377,705	\$ —	\$ —	\$ 377,705
Morgan Hills	<u>36,000</u>	<u>—</u>	<u>—</u>	<u>36,000</u>
Total non-depreciable assets	<u>413,705</u>	<u>—</u>	<u>—</u>	<u>413,705</u>
Depreciable Assets				
Buildings				
Hospital	6,445,330	23,286	—	6,468,616
Morgan Hills	776,009	—	—	776,009
Nursing Home	1,102,884	—	—	1,102,884
Equipment	2,612,060	369,826	—	2,981,886
Vehicles	164,366	—	—	164,366
Equipment under capital leases	<u>269,024</u>	<u>—</u>	<u>—</u>	<u>269,024</u>
Total depreciable assets	<u>11,369,673</u>	<u>393,112</u>	<u>—</u>	<u>11,762,785</u>

(Continued)

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 4-Property, Plant and Equipment (Continued)

(Continued)	Balance October 31, <u>2013</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2014</u>
Less Accumulated Depreciation and Amortization				
Buildings				
Hospital	\$ 2,380,427	\$ 179,518	\$ —	\$ 2,559,945
Morgan Hills	437,518	21,351	—	458,869
Nursing Home	1,098,419	150	—	1,098,569
Equipment	1,208,772	417,968	—	1,626,740
Vehicles	128,377	19,153	—	147,530
Equipment under capital leases	<u>23,490</u>	<u>41,473</u>	<u>—</u>	<u>64,963</u>
Total accumulated depreciation and amortization	<u>5,277,003</u>	<u>679,613</u>	<u>—</u>	<u>5,956,616</u>
 Total depreciable assets, net	 <u>6,092,670</u>	 <u>(286,501)</u>	 <u>—</u>	 <u>5,806,169</u>
 Total capital assets, net	 <u>\$ 6,506,375</u>	 <u>\$ (286,501)</u>	 <u>\$ —</u>	 <u>\$ 6,219,874</u>

A summary of property, plant and equipment additions, retirements, and balances at October 31, 2013 is as follows:

	Balance October 31, <u>2012</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2013</u>
Non-depreciable Capital Assets				
Land				
Hospital	\$ 322,805	\$ 54,900	\$ —	\$ 377,705
Morgan Hills	<u>36,000</u>	<u>—</u>	<u>—</u>	<u>36,000</u>
Total non-depreciable assets	<u>358,805</u>	<u>54,900</u>	<u>—</u>	<u>413,705</u>
 Depreciable Assets				
Buildings				
Hospital	6,226,730	218,600	—	6,445,330
Morgan Hills	776,009	—	—	776,009
Nursing Home	1,098,370	4,514	—	1,102,884
Equipment	1,655,579	1,155,562	(199,081)	2,612,060
Vehicles	164,366	—	—	164,366
Equipment under capital leases	<u>—</u>	<u>269,024</u>	<u>—</u>	<u>269,024</u>
Total depreciable assets	<u>9,921,054</u>	<u>1,647,700</u>	<u>(199,081)</u>	<u>11,369,673</u>

(Continued)

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 4-Property, Plant and Equipment (Continued)

(Continued)	Balance October 31, <u>2012</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2013</u>
Less Accumulated Depreciation and Amortization				
Buildings				
Hospital	\$ 2,177,828	\$ 202,599	\$ —	\$ 2,380,427
Morgan Hills	416,167	21,351	—	437,518
Nursing Home	1,098,370	49	—	1,098,419
Equipment	1,116,652	286,110	(193,990)	1,208,772
Vehicles	96,137	32,240	—	128,377
Equipment under capital leases	—	23,490	—	23,490
Total accumulated depreciation and amortization	<u>4,905,154</u>	<u>565,839</u>	<u>(193,990)</u>	<u>5,277,003</u>
 Total depreciable assets, net	<u>5,015,900</u>	<u>1,081,861</u>	<u>(5,091)</u>	<u>6,092,670</u>
 Total capital assets, net	<u>\$ 5,374,705</u>	<u>\$ 1,136,761</u>	<u>\$ (5,091)</u>	<u>\$ 6,506,375</u>

Depreciation and amortization expense for the years ended October 31, 2014 and 2013 was \$679,613 and \$565,839, respectively.

Note 5-Notes and Other Long-Term Payables

A schedule of changes in the District's long-term debt at October 31, 2014 is as follows:

	Balance October 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2014</u>	Amount Due Within <u>One Year</u>
Notes Payable					
Farmers Home Administration	\$ 718,578	\$ —	\$ (7,061)	\$ 711,517	\$ 6,906
First Guaranty Bank	675,000	—	(375,000)	300,000	95,000
2010 Medicare Cost Report	<u>36,302</u>	<u>—</u>	<u>(36,302)</u>	<u>—</u>	<u>—</u>
 Total notes and other long-term payables	<u>\$ 1,429,880</u>	<u>\$ —</u>	<u>\$ (418,363)</u>	<u>\$ 1,011,517</u>	<u>\$ 101,906</u>

A schedule of changes in the District's long-term debt at October 31, 2013 is as follows:

	Balance October 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2013</u>	Amount Due Within <u>One Year</u>
Notes Payable					
Farmers Home Administration	\$ 723,612	\$ —	\$ (5,034)	\$ 718,578	\$ 6,193
First Guaranty Bank	1,170,000	—	(495,000)	675,000	375,000
2010 Medicare Cost Report	<u>103,084</u>	<u>—</u>	<u>(66,782)</u>	<u>36,302</u>	<u>36,302</u>
 Total notes and other long-term payables	<u>\$ 1,996,696</u>	<u>\$ —</u>	<u>\$ (566,816)</u>	<u>\$ 1,429,880</u>	<u>\$ 417,495</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 5-Notes and Other Long-Term Payables (Continued)

Note Payable - Farmers Home Administration

Note payable to Farmers Home Administration with interest ranging from 1% to 8.75% for 50 years with a monthly payment of \$1,646. Note is secured by the Morgan Hills Apartments.

Note Payable - First Guaranty Bank

Note payable to First Guaranty Bank at 6.0% interest for seven (7) years with a principal balance of \$300,000, secured by a pledge of all revenues accruing to the District. The next principal payment totaling \$95,000 is due in March 2015.

Payable for 2010 Medicare Cost Report

Payable to Medicare at 11.25% interest, payable in monthly installments of \$6,250 for thirty-six months. This loan was fully paid as of October 31, 2014.

Note 6-Bonds Payable

The schedule of bonds payable at October 31, 2014 consists of the following:

	Balance October 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2014</u>	Amount Due Within <u>One Year</u>
Bonds Payable					
Hospital Revenue Bonds					
5 Year	\$ 782,060	\$ 127,700	\$ (265,414)	\$ 644,346	\$ 236,532
25 Year	987,426	—	(34,173)	953,253	36,451
20 Year	16,234	—	(16,234)	—	—
40 Year	<u>1,790,788</u>	<u>—</u>	<u>(24,178)</u>	<u>1,766,610</u>	<u>24,941</u>
Total bonds payable	<u>\$ 3,576,508</u>	<u>\$ 127,700</u>	<u>\$ (339,999)</u>	<u>\$ 3,364,209</u>	<u>\$ 297,924</u>

The schedule of bonds payable at October 31, 2013 consists of the following:

	Balance October 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance October 31, <u>2013</u>	Amount Due Within <u>One Year</u>
Bonds Payable					
Hospital Revenue Bonds					
5 Year	\$ 50,001	\$ 952,864	\$ (220,805)	\$ 782,060	\$ 234,873
25 Year	1,019,604	—	(32,178)	987,426	34,248
20 Year	51,867	—	(35,633)	16,234	16,234
40 Year	<u>1,813,911</u>	<u>—</u>	<u>(23,123)</u>	<u>1,790,788</u>	<u>23,935</u>
Total bonds payable	<u>\$ 2,935,383</u>	<u>\$ 952,864</u>	<u>\$ (311,739)</u>	<u>\$ 3,576,508</u>	<u>\$ 309,290</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 6-Bonds Payable (Continued)

Hospital Revenue Bonds - 5 Year

Hospital Revenue Bonds of \$1,184,000 due in annual installments of \$262,245 (principal and interest) for 5 years at an annualized rate of 3.5%. Bonds are secured by a pledge of net revenues from the operations of the District.

Hospital Revenue Bonds - 25 Year

Hospital Revenue Bonds of \$1,200,000 due in monthly installments of \$7,916 (principal and interest) for 25 years at an annualized rate of 6.125%. Bonds are secured by a pledge of net revenues from the operations of the District.

Hospital Revenue Bonds - 20 Year

Hospital Revenue Bonds of \$467,000 due in monthly installments of \$3,115 (principal and interest) for 20 years at an annualized rate of 5.125%. Bonds are secured by the land and building of the District and by a pledge of net revenues from the operations of the District. This bond was fully paid as of October 31, 2014.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds of \$1,900,000 due in monthly installments of \$8,113 (principal and interest) for 40 years at an annualized rate of 4.125%. Bonds are secured by a pledge of net revenues from the operations of the District.

As required by the bond agreement, the District is required to maintain three separate accounts: Sinking Fund, Reserve Fund, and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets limited as to use.

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 297,924	\$ 156,669	\$ 454,593
2016	309,596	145,000	454,596
2017	231,378	132,841	364,219
2018	72,168	120,180	192,348
2019	76,205	116,143	192,348
Thereafter	2,376,938	1,477,185	3,854,123

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 7-Capital Leases - Equipment

A schedule of changes in the District's capital lease obligations at October 31, 2014 is as follows:

	Balance October 31, 2013	Additions	Reductions	Balance October 31, 2014	Amount Due Within One Year
Capital Leases					
Analyzer	\$ 205,500	\$ —	\$ (37,866)	\$ 167,634	\$ 40,563
Fugi	<u>43,427</u>	<u>—</u>	<u>(10,064)</u>	<u>33,363</u>	<u>10,575</u>
Total capital leases payable	<u>\$ 248,927</u>	<u>\$ —</u>	<u>\$ (47,930)</u>	<u>\$ 200,997</u>	<u>\$ 51,138</u>

A schedule of changes in the District's capital lease obligations at October 31, 2013 is as follows:

	Balance October 31, 2012	Additions	Reductions	Balance October 31, 2013	Amount Due Within One Year
Capital Leases					
Analyzer	\$ —	\$ 215,800	\$ (10,300)	\$ 205,500	\$ 37,865
Fugi	<u>—</u>	<u>53,224</u>	<u>(9,797)</u>	<u>43,427</u>	<u>10,064</u>
Total capital leases payable	<u>\$ —</u>	<u>\$ 269,024</u>	<u>\$ (20,097)</u>	<u>\$ 248,927</u>	<u>\$ 47,929</u>

Note 8-Operating Leases

The District leases various medical equipment under operating leases. Rent expense on these operating leases was \$8,040 in 2014 and 2013. Future minimum operating lease payment on non-cancelable leases is as follows:

2015	<u>\$ 2,010</u>
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Note 9-Pension Plan

The District has a 403(b) defined contribution plan. Contributions are matched based on years of service of full-time employees, not to exceed 3% of salary. Contributions to the plan totaled \$84,636 in 2014 and \$13,168 in 2013.

Note 10-Grant Revenue

Rural Hospital Upper Payment Limit

The District routinely provides a substantial amount of uncompensated care to patients in its service area. To receive adequate reimbursement for the essential healthcare services provided to disadvantaged and low income populations, the District entered into a grant distribution cooperative endeavor agreement with Building Healthy Communities, Inc. (BHC).

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 10-Grant Revenue (Continued)

Rural Hospital Upper Payment Limit (Continued)

Under this agreement, BHC has agreed to cooperate in the establishment of a funding program by contributing a portion of the Upper Payment Limit (UPL) payments that result from Medicaid State Plan Amendments (SPA) to rural hospitals, including St. Helena Parish Hospital Service District No. 1. The purpose of the UPL payments is to help ensure adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens.

For the years ended October 31, 2014 and 2013, the District received grants of \$1,541,703 and \$1,589,826, respectively, under this agreement, which is included in other operating revenue in the accompanying consolidated statements of revenues, expenses, and changes in net position. As a condition of the grant agreement, the District, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program which began in 2011 for eligible providers that adopted and meaningfully used certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The Hospital uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the District is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Medicaid EHR incentive payment revenue totaling \$1,558,656 was recognized for the year ended October 31, 2013. This revenue is included in other operating revenue in the accompanying consolidated statements of revenues, expenses, and changes in net position. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the District's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

Note 11-Contingencies

The District is a litigant in a lawsuit. Management of the District, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the District.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2014

Note 12-Concentration of Credit Risk

The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors was as follows:

	<u>2014</u>	<u>2013</u>
Medicare and Medicaid	51%	61%
Commercial and Blue Cross	37%	27%
Private pay	<u>12%</u>	<u>12%</u>
	<u>100%</u>	<u>100%</u>

Note 13-Subsequent Events

Management evaluated all subsequent events through April 7, 2015, the date the consolidated financial statements were available to be issued, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Supplementary Information

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Net Patient Service Revenue
Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Patient Service Revenue		
Patient rooms - Hospital	\$ 333,371	\$ 117,900
Patient rooms - Nursing Home	3,049,121	3,131,409
Observation rooms	55,800	50,705
Operating and emergency room	1,572,098	1,551,995
Medical and surgical supplies	146,373	228,056
Pharmacy	878,305	797,135
X-ray	491,164	486,325
EKG	41,750	-
Ultrasound	27,172	18,254
S.H.P. scan	1,213,601	1,354,700
Laboratory	2,178,954	2,105,189
Therapy	1,061,191	863,431
Doctor fees	1,111,761	1,105,574
Cardiology	149,665	128,479
Swing bed	341,900	402,025
SNF bed	522,843	312,421
After hours clinic	39,595	4,763
Psychiatric	968,985	1,190,820
	<u>14,183,649</u>	<u>13,849,181</u>
Less: contractual adjustments	<u>2,299,300</u>	<u>2,023,321</u>
Net patient service revenue	<u>\$11,884,349</u>	<u>\$11,825,860</u>

St Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Operating Expenses
Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Supplies and Other Expenses		
Food cost	\$ 189,569	\$ 194,786
Pharmacy	231,523	159,064
Medical supplies	<u>1,046,485</u>	<u>1,076,375</u>
Total supplies and other expenses	<u>\$1,467,577</u>	<u>\$1,430,225</u>
General and Administrative Expenses		
Advertising	\$ 10,359	\$ 6,081
Bank charges	2,823	2,171
Dues and subscriptions	29,887	32,575
Education	6,702	11,016
Employee benefits	84,636	13,168
Fuel	31,301	46,144
Group insurance	478,119	818,442
Insurance	257,151	258,938
Lease and rental expense	99,910	101,269
Legal and professional	32,943	45,774
Maintenance contracts	10,879	4,469
Payroll taxes	443,521	429,432
Penalties and interest	3,963	8,138
Postage	3,446	5,465
Repairs and maintenance	52,339	72,202
Sewerage	2,318	2,560
Taxes	3,772	532
Telephone	78,693	65,187
Travel	16,822	13,846
Utilities	122,717	94,169
Water	1,172	3,178
Other	<u>61,868</u>	<u>71,860</u>
Total general and administrative expenses	<u>\$1,835,341</u>	<u>\$2,106,616</u>

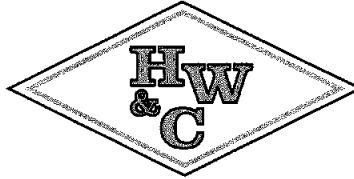
St Helena Parish Hospital Service District No. 1 and Subsidiary
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2014

Agency Head Name: Naveed Awan, Chief Executive Officer

Salary	\$206,531
Benefits	
Insurance	16,378
Retirement	6,196
Registration fees	519
Travel	<u>227</u>
	<u>\$229,851</u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Helena Parish Hospital Service District No. 1 and Subsidiary, as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively comprise St. Helena Parish Hospital Service District No. 1 and Subsidiary's (the "District") basic consolidated financial statements and have issued our report thereon dated April 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Helena Parish Hospital Service District No. 1 and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hawthorn, Waymouth & Carroll, LLP".

April 7, 2015

St. Helena Parish Hospital Service District No.1 and Subsidiary
Schedule of Current Year Findings
October 31, 2014

Findings - Financial Statement Audit

None.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Schedule of Prior Year Findings
October 31, 2014

Findings - Financial Statement Audit

None.